

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 1669 – SB 1905**

February 13, 2016

**SUMMARY OF BILL:** Prohibits any grant, loan, or incentive offered by the Department of Economic and Community Development (ECD) from being available to or renewed by a local government entity when the local government entity or an official of the local government entity is found in violation of Tenn. Code Ann. § 7-68-103, which (1) prohibits local government entities and officials from adopting any ordinance or policy that prohibits compliance with federal immigration law and (2) interference with compliance with federal immigration law. Requires a court finding a local government entity or official in violation to notify ECD of such violation.

Requires employers with one to five employees to comply with E-Verify and work authorization requirements set out in Tenn. Code Ann. § 50-1-703 beginning July 1, 2016.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue –**

**Exceeds \$4,000/Recurring/Lawful Employment Enforcement Fund**

**Increase State Expenditures – \$10,000/One-Time/General Fund**

**\$279,200/Recurring/General Fund**

Assumptions Relative to ECD Funding:

- ECD will modify the application form required to apply for funding to include a verification question that the local government entity is in compliance with federal immigration law.
- ECD can achieve this modification within existing resources.
- It is assumed that local government entities are in compliance with federal immigration law; however, in the event that a court finds a local government entity or official out of compliance and such entity or official does not correct the action, there will be a reduction in grant or incentive funding to the applicable local government entity; however, it is assumed that ECD would subsequently utilize any such grant or incentive funding to award an alternate local government applicant.
- The net impact to expenditures for ECD and the net impact to local government entities statewide will be not significant.
- Any impact for courts to notify ECD of violations will be not significant.

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#### Assumptions Relative to E-Verify Requirements:

- Currently, Tenn. Code Ann. § 50-1-703 requires employers with six or more employees to comply with work authorization requirements. This bill will expand these requirements to all employers.
- The Department of Labor and Workforce Development (DLWD) currently enforces this compliance for employers with six or more employees.
- Based on information provided by DLWD, there are approximately 24 citations issued annually for such violations.
- A fine for a first violation of \$500.
- Expanding the application of these requirements to employers with fewer than six employees is reasonably estimated to add at least eight violations annually.
- A recurring increase in state revenue to the Lawful Employment Enforcement Fund exceeding \$4,000 (\$500 fine x 8 violations).
- No additional second or subsequent violations.
- Applying the E-Verify laws to all employers by making such laws applicable to employers with fewer than six employees will require additional resources for the DLWD. The DLWD will require one additional Labor Standards Inspector I (LSI I) in each grand division of the state (a total of three additional LSI I positions); one additional Administrative Assistant I position; and one Attorney 3 provision. The DLWD will require an additional appropriation from the General Fund in order to fund these positions.
- An average salary for an LSI I position is estimated to be \$29,832; with benefits estimated to be \$15,512; and travel and miscellaneous expenditures estimated to be \$7,600.
- A recurring increase in state expenditures of \$158,832  $[(\$29,832 + \$15,512 + \$7,600) \times 3 \text{ positions}]$ .
- One additional Administrative Assistant I will be required resulting in a recurring increase in state expenditures of \$42,174 (\$27,072 salary + \$14,682 benefits + \$420 supplies).
- One additional Attorney 3 position will be required resulting in a recurring increase in state expenditures of \$78,150 (\$53,964 salary + \$22,766 benefits + \$1,420 training and supplies).
- One-time state expenditures will be required for computers, software, and supplies for five positions. The total one-time increase in state expenditures from the General Fund is estimated to be \$10,000.
- The total recurring increase in state expenditures from the General Fund is estimated to be \$279,156  $(\$158,832 + \$42,174 + \$78,150)$ .

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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